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P-R-E-F-T

4. Economic Support for War. The moderate slowdown in economic growth in the USSR and Bloc countries which began in 1957 appears to be continuing through 1958. As a consequence, the rate of growth over the next five years will probably be a little less rapid than had been contemplated by these countries in 1956. In the USSR the principal factors which will prevent a return to former higher rates of growth are reduced accretions to the labor force after 1958 as a result of low wartime and postwar birth rates, the time delays and large capital expenses of development work in some raw material industries, and the need to increase output of housing, food, and other consumer goods. However, the Soviet economy continues to grow at a rate substantially higher than that of the United States. The reorganization of the economic administrative structure along regional lines in 1957 has not resulted in internal dislocations; to date it seems to have brought about some improvements in efficiency of operations. The Bloc's economy has the capacity to support a modern multifront war and to continue a rapid weapons development program. We estimate that some further increase in total Soviet military expenditures over present levels is likely.

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